

VILLAGE OF ALPHA
AUDITED FINANCIAL STATEMENTS
ALPHA, MICHIGAN

Fiscal Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Alpha	County Iron
Audit Date 3/31/04	Opinion Date 5/27/04	Date Accountant Report Submitted to State: 7/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

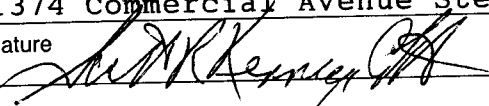
Certified Public Accountant (Firm Name) Scott R. Kenney, CPA			
Street Address 1374 Commercial Avenue Ste. 1	City Crystal Falls	State MI	ZIP 49920
Accountant Signature 			

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Pursuant to the Requirements of the G.A.O. Auditing Standards:	
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SCOTT R. KENNEY

Certified Public Accountant

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The Honorable Board of Trustees
Village of Alpha
Alpha, Michigan 49902

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying general purpose financial statements of the Village of Alpha, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's elected officials and management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

In my opinion, except for the omission of the general fixed asset account group as discussed in the previous paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Alpha, Michigan, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit of the general purpose financial statements was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying financial information listed as Supplemental Financial Information in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Alpha. Such information has been subjected to the auditing procedures applied in the audit of general purpose, combining and individual fund

and account group financial statements and, in my opinion, except as noted above, is fairly presented in all material respects in relation to the general purpose financial statements of each of the respective individual funds and account groups taken as a whole.


Certified Public Accountant

May 27, 2004

VILLAGE OF ALPHA
ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
March 31, 2004

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	ENTERPRISE	
ASSETS				
Cash and equivalents	\$ 21,582	\$ 37,423	\$ 107,172	\$ 166,177
Taxes receivable - net	5,652	0	0	5,652
Accounts receivable	0	0	6,597	6,597
Due from other funds	9,785	0	120	9,905
Due from other governmental units	4,632	6,869	0	11,501
Restricted assets	51,732	0	25,301	77,033
Utility plant and equipment - net	0	0	550,455	550,455
Amount to be provided for long term obligations	0	0	0	0
TOTAL ASSETS	\$ 93,383	\$ 44,292	\$ 689,645	\$ 827,320
LIABILITIES				
Accounts payable	\$ 2,653	\$ 0	\$ 781	\$ 3,434
Salaries and wages payable	453	243	642	1,338
Due to other funds	0	8,862	1,043	9,905
Due to other governmental units	1,020	0	0	1,020
Revenue bonds payable	0	0	212,000	212,000
Notes payable - bank	0	0	0	0
TOTAL LIABILITIES	\$ 4,126	\$ 9,105	\$ 214,466	\$ 227,697
FUND EQUITY				
Contributed capital	\$ 0	\$ 0	\$ 399,356	\$ 399,356
Retained earnings:				
Reserved	0	0	25,301	25,301
Unreserved, undesignated	0	0	50,522	50,522
Fund balance:				
Designated	49,901	0	0	49,901
Reserved	1,830	0	0	1,830
Unreserved-undesignated	37,526	35,187	0	72,713
TOTAL FUND EQUITY	\$ 89,257	\$ 35,187	\$ 475,179	\$ 599,623
TOTAL LIABILITIES AND FUND EQUITY	\$ 93,383	\$ 44,292	\$ 689,645	\$ 827,320

The notes are an integral part of these financial statements.

VILLAGE OF ALPHA
 ALL GOVERNMENTAL FUND AND EXPENDABLE TRUST FUND TYPES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 Year ended March 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(MEMORANDUM ONLY)</u>
REVENUES			
General property taxes	\$ 31,215	\$ 0	\$ 31,215
State shared revenues and grants	33,262	35,370	68,632
Charges for services	3,112	0	3,112
Interest and rentals	16,815	432	17,247
Other	<u>5,208</u>	<u>359</u>	<u>5,567</u>
TOTAL REVENUES	\$ 89,612	\$ 36,161	\$ 125,773
EXPENDITURES			
Legislative	\$ 2,485	\$ 0	\$ 2,485
General government	38,547	0	38,547
Public works	18,830	42,322	61,152
Recreation	1,161	0	1,161
Community betterment	257	0	257
Other	<u>2,762</u>	<u>0</u>	<u>2,762</u>
TOTAL EXPENDITURES	\$ 64,042	\$ 42,322	\$ 106,364
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 25,570	\$ (6,161)	\$ 19,409
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	\$ 0	\$ 0	\$ 0
Transfer to other funds	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	\$ 25,570	\$ (6,161)	\$ 19,409
Fund balance - Beginning of period	<u>63,687</u>	<u>41,348</u>	<u>105,035</u>
FUND BALANCE - END OF PERIOD	\$ <u>89,257</u>	\$ <u>35,187</u>	\$ <u>124,444</u>

The notes are an integral part of these financial statements.

VILLAGE OF ALPHA
 ALL GOVERNMENTAL FUND TYPES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 Year ended March 31, 2004

	GENERAL FUND		
	ACTUAL	BUDGET	VARIANCE
REVENUES			
General property taxes	\$ 31,215	\$ 34,500	\$ (3,285)
State shared revenues	33,262	28,700	4,562
Charges for services	3,112	0	3,112
Interest and rentals	16,815	17,230	(415)
Other	5,208	20,200	(14,992)
TOTAL REVENUES	\$ 89,612	\$ 100,630	\$ (11,018)
EXPENDITURES			
Legislative	\$ 2,485	\$ 2,475	\$ (10)
General government	38,547	49,043	10,496
Public works	18,830	18,839	9
Recreation	1,161	1,161	0
Community betterment	257	257	0
Other	2,762	4,962	2,200
TOTAL EXPENDITURES	\$ 64,042	\$ 76,737	\$ 12,695
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 25,570	\$ 23,893	\$ 1,677
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	\$ 0	\$ 1,000	\$ (1,000)
Transfer to other funds	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	\$ 25,570	\$ 24,893	\$ 677
Fund balance - Beginning of period	63,687		
FUND BALANCE - END OF PERIOD	\$ 89,257		

The notes are an integral part of these financial statements.

SPECIAL REVENUE FUNDS			TOTAL (MEMORANDUM ONLY)		
ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
\$ 0	\$ 0	\$ 0	\$ 31,215	\$ 34,500	\$ (3,285)
35,370	32,714	2,656	68,632	61,414	7,218
0	0	0	3,112	0	3,112
432	599	(167)	17,247	17,829	(582)
<u>359</u>	<u>0</u>	<u>359</u>	<u>5,567</u>	<u>20,200</u>	<u>(14,633)</u>
\$ 36,161	\$ 33,313	\$ 2,848	\$ 125,773	\$ 133,943	\$ (8,170)
\$ 0	\$ 0	\$ 0	\$ 2,485	\$ 2,475	\$ 10
0	0	0	38,547	49,043	(10,496)
42,322	43,381	1,059	61,152	62,220	(1,068)
0	0	0	1,161	1,161	0
0	0	0	257	257	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,762</u>	<u>4,962</u>	<u>(2,200)</u>
\$ <u>42,322</u>	\$ <u>43,381</u>	\$ <u>1,059</u>	\$ <u>106,364</u>	\$ <u>120,118</u>	\$ <u>13,754</u>
\$ (6,161)	\$ (10,068)	\$ 3,907	\$ 19,409	\$ 13,825	\$ 5,584
\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ (1,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ (6,161)	\$ <u>(10,068)</u>	\$ <u>3,907</u>	\$ 19,409	\$ <u>14,825</u>	\$ <u>4,584</u>
<u>41,348</u>			<u>105,035</u>		
\$ <u>35,187</u>			\$ <u>124,444</u>		

VILLAGE OF ALPHA
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
Year ended March 31, 2004

	WATER UTILITY	SEWER UTILITY	TOTAL
OPERATING REVENUES			
User charges	\$ 39,840	\$ 15,720	\$ 55,560
Other	<u>816</u>	<u>0</u>	<u>816</u>
TOTAL OPERATING REVENUES	\$ 40,656	\$ 15,720	\$ 56,376
OPERATING EXPENSES			
Salaries and wages	\$ 7,872	\$ 5,272	\$ 13,144
Employee benefits	617	399	1,016
Supplies and other	1,039	744	1,783
Contracted services	2,883	945	3,828
Utilities	4,679	1,345	6,024
Repairs and maintenance	248	1,369	1,617
Insurance	0	0	0
Depreciation	<u>6,142</u>	<u>31</u>	<u>6,173</u>
TOTAL OPERATING EXPENSES	\$ <u>23,480</u>	\$ <u>10,105</u>	\$ <u>33,585</u>
OPERATING INCOME	\$ 17,176	\$ 5,615	\$ 22,791
NON-OPERATING INCOME/LOSSES			
Interest income	\$ 1,279	\$ 350	\$ 1,629
Interest expense	<u>(12,690)</u>	<u>0</u>	<u>(12,690)</u>
TOTAL NON-OPERATING INCOME (LOSS)	\$ <u>(11,411)</u>	\$ <u>350</u>	\$ <u>(11,061)</u>
NET INCOME	\$ 5,765	\$ 5,965	\$ 11,730
Retained earnings - Beginning of period	<u>35,740</u>	<u>28,353</u>	<u>64,093</u>
RETAINED EARNINGS - END OF PERIOD	<u><u>41,505</u></u>	<u><u>34,318</u></u>	<u><u>75,823</u></u>

The notes are an integral part of these financial statements.

VILLAGE OF ALPHA
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year ended March 31, 2004

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>(MEMO ONLY) TOTAL</u>
OPERATING ACTIVITIES			
Operating income (loss)	\$ 17,176	\$ 5,615	\$ 22,791
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	6,142	31	6,173
Change in assets and liabilities:			
(Increase) decrease in taxes receivable	0	0	0
(Increase) decrease in accounts receivable	(131)	0	(131)
Decrease in due from other funds	3,739	4,148	7,887
Increase (decrease) in accounts payable	244	(165)	79
Increase (decrease) in salaries and wages payable	(193)	52	(141)
Increase (decrease) in due to other funds	(777)	763	(14)
Increase (decrease) in due to other funds	<u>1,000</u>	<u>0</u>	<u>1,000</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 27,200	\$ 10,444	\$ 37,644
CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond principal redemptions	\$ (5,000)	\$ 0	\$ (5,000)
Bond interest paid	(12,690)	0	(12,690)
Transfer from restricted account	<u>(407)</u>	<u>0</u>	<u>(407)</u>
TOTAL CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (18,097)	\$ 0	\$ (18,097)
INVESTING ACTIVITIES - Interest earned	\$ <u>1,279</u>	\$ <u>350</u>	\$ <u>1,629</u>
NET INCREASE IN CASH AND EQUIVALENTS	\$ 10,382	\$ 10,794	\$ 21,176
Cash and equivalents - Beginning of period	<u>62,512</u>	<u>23,484</u>	<u>85,996</u>
CASH AND EQUIVALENTS - END OF PERIOD	\$ <u><u>72,894</u></u>	\$ <u><u>34,278</u></u>	\$ <u><u>107,172</u></u>

The notes are an integral part of these financial statements.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Alpha, Michigan is located in Iron County, Michigan. The Village operates under an elected Board of Trustees and provides services to its approximately 220 residents including public works, major and local streets, parks and recreation, refuse collection and disposal and general administrative services. In addition, the Village owns and operates a water system and a sewer system as enterprise activities.

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to local units of government. The following is a summary of the more significant policies:

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements include only the Local Unit as the Village does not have any blended components units or components units requiring discrete reporting. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

BASIS OF PRESENTATION

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are reporting entities but are not "funds". They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds use the accrual basis of accounting.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Depreciation is provided in enterprise funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives on a straight-line basis.

TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Penalties and interest and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. State-shared taxes, other inter-governmental revenue, and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Utility services receivable of the enterprise funds are purchased at each month end by the Water Utility Fund and are recorded as a receivable in the Water Utility Fund at the point of purchase.

CASH AND EQUIVALENTS

Cash in excess of amounts required to meet current obligations are transferred to savings accounts or certificates of deposit.

INVENTORIES

Cost of inventoriable type materials and supplies are expensed when purchased. Further, it is the Village's practice not to record as inventory any such items on hand at the end of the year and accordingly the financial statements of the various funds do not reflect an inventory balance.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESTRICTED ASSETS - GENERAL FUND

On March 31, 2004, restricted assets consist of cash in a checking account that has been designated by the Board for major repair or replacement of equipment. In addition, a checking account holding reserved funds is being maintained until the completion of the Circle Project.

RESTRICTED ASSETS - WATER UTILITY FUND

On March 31, 2004, restricted assets consist of cash in checking accounts equal to covenants included in the revenue bond ordinance. The amounts are to be used for bond interest payments and redemptions. In addition, a portion of the amount (\$ 4,868) is being set aside for future system repairs and replacement.

PROPERTY AND EQUIPMENT

The Village has not maintained a record of its general fixed assets.

BUDGET AND BUDGETARY

The Village has complied with the Uniform Budgeting and Accounting Act of the State of Michigan. The budget is adopted on an activity basis and has been amended during the fiscal year.

RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND RETAINED EARNINGS

Reservations are used to indicate that a portion of fund balance/retained earnings is not appropriable for expenditure or is legally segregated for a specific future use. Designations indicate tentative plans or intent for resource utilization in a future period and are thus subject to change and may never be legally authorized or result in expenditure.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures, budgeted expenditures and related variances for the budgetary funds have been shown on an activity basis. The Village had unfavorable variances in the following:

	Actual	Budget	Variance	
			Amount	Percent
Water - Expenses	\$ 23,480	\$ 18,806	\$ 4,674	20

NOTE C - ACCUMULATED FUND DEFICITS

The Village does not have an accumulated deficit in any of its funds.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE D - CASH AND EQUIVALENTS

At year end, the carrying amount of the Village's deposits (checking, savings, money market and short term certificates of deposit) was \$166,177. The Village's deposits are in accordance with statutory authority. The bank balance is classified as to credit risk as follows:

Amount insured by the NCUA.or FDIC	\$ 100,432
Uninsured and collateralized	0
Uninsured and not collateralized	<u>65,745</u>
 TOTAL BANK BALANCE	 \$ 166,177 <u>=====</u>

NOTE E - LONG TERM DEBT

1987 Revenue Bond Series I - Water System Bond

<u>Date</u>	<u>Payment Due</u>	<u>Principal</u>	<u>Interest</u>
July 1, 2004	\$ 5,728	\$ 0	\$ 5,728
January 1, 2005	9,728	4,000	5,728
July 1, 2005	5,611	0	5,611
January 1, 2006	9,611	4,000	5,611
July 1, 2006	5,493	0	5,493
January 1, 2007	9,493	4,000	5,493
July 1, 2007	5,376	0	5,376
January 1, 2008	9,376	4,000	5,376
July 1, 2008	5,258	0	5,258
January 1, 2009	10,258	5,000	5,258
2009 - 2027	<u>292,032</u>	<u>174,000</u>	<u>118,032</u>
	 \$ 367,964 <u>=====</u>	 \$ 195,000 <u>=====</u>	 \$ 172,964 <u>=====</u>

Water System Revenue Bond were issued in 1987 for \$219,000 for the purpose of acquiring and constructing additions and improvements to the Village Water Supply System. These bonds are self-liquidating and are not general obligations of the Village. The bond requires annual principal payments as scheduled above and bears interest at the rate of 5.875% per annum. Interest is payable semiannually on July 1 and January 1 of each year.

The Bond is subject to redemption prior to maturity at the option of the Village, either in whole or in part; on any interest payment date, at par plus accrued interest.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE E - LONG TERM DEBT (CONTINUED)

1987 Revenue Bond Series II - Water System Bond

<u>Date</u>	<u>Payment Due</u>	<u>Principal</u>	<u>Interest</u>
July 1, 2004	\$ 499	\$ 0	\$ 499
January 1, 2005	1,499	1,000	499
July 1, 2005	470	0	470
January 1, 2006	1,470	1,000	470
July 1, 2006	441	0	441
January 1, 2007	1,441	1,000	441
July 1, 2007	411	0	411
January 1, 2008	1,411	1,000	411
July 1, 2008	382	0	382
January 1, 2009	1,382	1,000	382
2008 - 2021	<u>16,584</u>	<u>12,000</u>	<u>4,584</u>
	\$ 25,990	\$ 17,000	\$ 8,990

Water System Revenue Bond were issued in 1987 for \$31,000 for the purpose of completing additions and improvements to the Village Water Supply System. These bonds are self-liquidating and are not general obligations of the Village. The bond requires annual principal payments as scheduled above and bears interest at the rate of 5.875% per annum. Interest is payable semiannually on July 1 and January 1 of each year.

The Bond is subject to redemption prior to maturity at the option of the Village, either in whole or in part; on any interest payment date, at par plus accrued interest.

NOTE F - PROPERTY TAXES

Property taxes are assessed and collected annually by the Village commencing on July 1 and are payable without penalty through August 15. The taxes becoming delinquent on February 28 of the following calendar year. During the fiscal year, the Village assessed millage of 12.3272 operating mills with 2 mills designated for equipment replacement and 4 mills designated for road repairs.

NOTE G - INTERFUND TRANSFERS

No interfund transfer were made during the year.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE H - INTERFUND RECEIVABLES/PAYABLES

As of March 31, 2004, the Village had the following amounts reflected as interfund receivables and payables:

Due from	Due to	Amount
Major Streets	General	\$ 1,582
Local Streets	General	7,280
Sewer	General	763
Water	General	160

NOTE I - PLANT AND EQUIPMENT

A summary of the plant and equipment as of March 31, 2004 is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Balance, 4/1/2003	\$943,357	\$ 41,225
Additions	<u>0</u>	<u>0</u>
Balance, 3/31/2003	<u>\$943,357</u>	<u>\$41,225</u>
Accumulated Depreciation	<u>\$393,933</u>	<u>\$40,194</u>

Depreciation of all fixed assets used is charged proportionally to contributed capital and to expense of operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of the assets vary from seven (7) to fifty (50) years.

NOTE J - PENSION PLAN

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTION

The Village adopted Employees' Pension Plan B-3 of the state administered Municipal Employees' Retirement System with an F55 waiver. The plan is a state administered agent multiple-employer pension plan. Normal retirement benefits are paid employees retiring at age 60 with 10 or more years of service.

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
 March 31, 2004

NOTE J - PENSION PLANS (CONTINUED)

FUNDING POLICY

The plan is non-contributory, that is, the members do not make a contribution in support of their pension benefits. The Village is required to contribute at an actuarially determined rate that attempts funding at a level pattern of cost as a percentage of salary throughout the employees working lifetime. The current rate is 2.0% of annual covered payroll with the funding paid through an appropriation of the Village's working capital.

ANNUAL PENSION COST

The Village's contributions to the plan are intended to be exactly equal to the recommended dollar contribution. Any difference between the computed dollar contributions and the actual dollar contribution is due to rounding and has an immaterial impact on funding progress. The amount contributed has equaled the required contribution for the past three years.

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.0% investment return and (b) projected salary increases of 4.5% to 8.66% per year. Both (a) and (b) included an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial liability is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2002 was 30 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/00	0	100	0
12/31/01	59	100	0
12/31/02	377	100	0

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Overfunded Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
12/31/00	20,501	10,479	10,021	196	16,539	-
12/31/01	22,102	13,158	8,944	168	17,920	-
12/31/02	22,896	16,130	6,766	142	18,846	-

VILLAGE OF ALPHA
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE K - RISK MANAGEMENT

The Village of Alpha is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

SUPPLEMENTAL
FINANCIAL
INFORMATION

VILLAGE OF ALPHA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
March 31, 2004

	MAJOR STREET	LOCAL STREET	TOTAL
ASSETS			
Cash and equivalents	\$ 7,115	\$ 30,308	\$ 37,423
Due from other funds	0	0	0
Due from other governmental units	<u>4,779</u>	<u>2,090</u>	<u>6,869</u>
TOTAL ASSETS	\$ <u>11,894</u>	\$ <u>32,398</u>	\$ <u>44,292</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 0	\$ 0	\$ 0
Salaries and wages payable	140	103	243
Due to other funds	<u>1,582</u>	<u>7,280</u>	<u>8,862</u>
TOTAL LIABILITIES	\$ 1,722	\$ 7,383	\$ 9,105
FUND EQUITY			
Fund balance:			
Unreserved-undesignated	\$ <u>10,172</u>	\$ <u>25,015</u>	\$ <u>35,187</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>11,894</u>	\$ <u>32,398</u>	\$ <u>44,292</u>

VILLAGE OF ALPHA
SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE
 Year ended March 31, 2004

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
REVENUES			
State shared revenues	\$ 24,634	\$ 10,736	\$ 35,370
Interest	81	351	432
Other	<u>359</u>	<u>0</u>	<u>359</u>
TOTAL REVENUES	\$ 25,074	\$ 11,087	\$ 36,161
EXPENDITURES			
Salaries and wages	\$ 3,904	\$ 1,904	\$ 5,808
Employee benefits	295	144	439
Road repair and materials	9,723	9,719	19,442
Equipment rentals	10,979	4,910	15,889
Repairs and maintenance	0	0	0
Contracted services	372	0	372
Insurance	0	372	372
Capital purchases	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	\$ <u>25,273</u>	\$ <u>17,049</u>	\$ <u>42,322</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (199)	\$ (5,962)	\$ (6,161)
OTHER FINANCING SOURCES/(USES)			
Transfer from/(to) other funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES/(USES) OVER (UNDER) EXPENDITURES	\$ (199)	\$ (5,962)	\$ (6,161)
Fund balance - Beginning of period	<u>10,371</u>	<u>30,977</u>	<u>41,348</u>
FUND BALANCE - END OF PERIOD	\$ <u><u>10,172</u></u>	\$ <u><u>25,015</u></u>	\$ <u><u>35,187</u></u>

VILLAGE OF ALPHA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
March 31, 2004

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
ASSETS			
Current Assets:			
Cash and equivalents	\$ 72,894	\$ 34,278	\$ 107,172
Accounts receivable	6,597	0	6,597
Due from other funds	<u>0</u>	<u>120</u>	<u>120</u>
TOTAL CURRENT ASSETS	\$ 79,491	\$ 34,398	\$ 113,889
Restricted Assets:			
Bond interest and redemption	\$ 5,254	\$ 0	\$ 5,254
Repair and replacement	4,868	0	4,868
Bond reserve	<u>15,179</u>	<u>0</u>	<u>15,179</u>
TOTAL RESTRICTED ASSETS	\$ 25,301	\$ 0	\$ 25,301
Property, plant and equipment:			
System assets	\$ 943,357	\$ 41,225	\$ 984,582
Less accumulated depreciation	<u>(393,933)</u>	<u>(40,194)</u>	<u>(434,127)</u>
NET PROPERTY, PLANT & EQUIPMENT	\$ 549,424	\$ 1,031	\$ 550,455
TOTAL ASSETS	<u>\$ 654,216</u>	<u>\$ 35,429</u>	<u>\$ 689,645</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 725	\$ 56	\$ 781
Salaries and wages payable	350	292	642
Due to other funds	280	763	1,043
Current portion - long term liabilities	<u>5,000</u>	<u>0</u>	<u>5,000</u>
TOTAL CURRENT LIABILITIES	\$ 6,355	\$ 1,111	\$ 7,466
Long term debt - bonds payable	\$ 207,000	\$ 0	\$ 207,000
FUND EQUITY			
Contributed capital	\$ 399,356	\$ 0	\$ 399,356
Retained earnings:			
Reserved	25,301	0	25,301
Unrestricted, undesignated	<u>16,204</u>	<u>34,318</u>	<u>50,522</u>
TOTAL FUND EQUITY	\$ 440,861	\$ 34,318	\$ 475,179
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 654,216</u>	<u>\$ 35,429</u>	<u>\$ 689,645</u>

VILLAGE OF ALPHA
GENERAL FUND
BALANCE SHEET
March 31, 2004

ASSETS

Cash and equivalents	\$ 21,582
Taxes receivable - net	5,652
Due from other funds	9,785
Due from other governmental units	4,632
Restricted assets	<u>51,732</u>
TOTAL ASSETS	\$ <u><u>93,383</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 2,653
Salaries and wages payable	453
Due to other funds	0
Due to other governmental units	<u>1,020</u>
TOTAL LIABILITIES	\$ 4,126

FUND EQUITY

Fund balance:	
Designated	\$ 49,901
Reserved	1,830
Unreserved, undesignated	<u>37,526</u>
TOTAL FUND EQUITY	\$ <u>89,257</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>93,383</u></u>

VILLAGE OF ALPHA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended March 31, 2004

	ACTUAL	BUDGET	VARIANCE
REVENUES			
General property taxes	\$ 31,215	\$ 34,500	\$ (3,285)
State shared revenues	33,262	28,700	4,562
Changes for services	3,112	0	3,112
Interest and rentals	16,815	17,230	(415)
Other	<u>5,208</u>	<u>20,200</u>	<u>(14,992)</u>
TOTAL REVENUES	\$ 89,612	\$ 100,630	\$ (11,018)
EXPENDITURES			
Legislative	\$ 2,485	\$ 2,475	\$ (10)
General government	38,547	49,043	10,496
Public works	18,830	18,839	9
Recreation	1,161	1,161	0
Community betterment	257	257	0
Other	<u>2,762</u>	<u>4,962</u>	<u>2,200</u>
TOTAL EXPENDITURES	\$ <u>64,042</u>	\$ <u>76,737</u>	\$ <u>12,695</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 25,570	\$ 23,893	\$ 1,677
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	\$ 0	\$ 1,000	\$ (1,000)
Transfer to other funds	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	\$ 25,570	\$ <u>24,893</u>	\$ <u>677</u>
Fund balance - Beginning of period	<u>63,687</u>		
FUND BALANCE - END OF PERIOD	\$ <u><u>89,257</u></u>		

VILLAGE OF ALPHA
GENERAL FUND
STATEMENT OF REVENUES
ACTUAL AND BUDGET
Year ended March 31, 2004

	ACTUAL	BUDGET	VARIANCE
GENERAL PROPERTY TAXES:			
Real and personal property	\$ 30,337		
Tax reconveyance	0		
Administration fees and other	642		
Penalties and interest	<u>236</u>		
TOTAL GENERAL PROPERTY TAXES	\$ 31,215	\$ 34,500	\$ (3,285)
STATE SHARED REVENUES:			
Liquor law enforcement	\$ 536		
Sales and use tax	<u>32,726</u>		
TOTAL STATE SHARED REVENUES	\$ 33,262	\$ 28,700	\$ 4,562
CHARGES FOR SERVICES - Refuse	\$ 3,112	\$ 0	\$ 3,112
INTEREST AND RENTALS:			
Interest	\$ 926		
Rentals	<u>15,889</u>		
TOTAL INTEREST AND RENTALS	\$ 16,815	\$ 17,230	\$ (415)
OTHER:			
Reimbursements	\$ 5		
Sale of property	0		
Other	<u>5,203</u>		
TOTAL OTHER	\$ <u>5,208</u>	\$ 20,200	\$ (14,992)
TOTAL REVENUES	\$ <u><u>89,612</u></u>	\$ <u><u>100,630</u></u>	\$ <u><u>(11,018)</u></u>
TRANSFERS FROM OTHER FUNDS	\$ <u><u>0</u></u>	\$ <u><u>1,000</u></u>	\$ <u><u>1,000</u></u>

VILLAGE OF ALPHA
GENERAL FUND
STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
Year ended March 31, 2004

	ACTUAL	BUDGET	VARIANCE
LEGISLATIVE:			
Board	\$ 2,485	\$ 2,475	\$ (10)
TOTAL LEGISLATIVE	\$ 2,485	\$ 2,475	\$ (10)
GENERAL GOVERNMENT:			
Foreman	\$ 11,077	\$ 11,501	\$ 424
Elections	486	386	(100)
Clerk	3,035	3,068	33
Treasurer	1,596	1,565	(31)
Village office	6,985	7,045	60
Village hall	15,287	25,397	10,110
Circle project	81	81	0
TOTAL GENERAL GOVERNMENT	\$ 38,547	\$ 49,043	\$ 10,496
PUBLIC WORKS:			
General	\$ 13,489	\$ 13,498	\$ 9
Sanitation	576	576	0
Street lighting	4,765	4,765	0
TOTAL PUBLIC WORKS	\$ 18,830	\$ 18,839	\$ 9
RECREATION:			
Parks	\$ 1,161	\$ 1,161	\$ 0
TOTAL RECREATION	\$ 1,161	\$ 1,161	\$ 0
COMMUNITY BETTERMENT:			
Other	\$ 257	\$ 257	\$ 0
TOTAL COMMUNITY BETTERMENT	\$ 257	\$ 257	\$ 0

VILLAGE OF ALPHA
GENERAL FUND
STATEMENT OF EXPENDITURES (CONTINUED)
ACTUAL AND BUDGET
Year ended March 31, 2004

	ACTUAL	BUDGET	VARIANCE
OTHER:			
Employee benefits	\$ 1,687	\$ 1,705	\$ 18
Insurance and other	1,075	3,257	2,182
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER	\$ <u>2,762</u>	\$ <u>4,962</u>	\$ <u>2,200</u>
TOTAL EXPENDITURES	\$ <u><u>64,042</u></u>	\$ <u><u>76,737</u></u>	\$ <u><u>12,695</u></u>
 TRANSFERS TO OTHER FUNDS	 \$ <u><u>0</u></u>	 \$ <u><u>0</u></u>	 \$ <u><u>0</u></u>

VILLAGE OF ALPHA
MAJOR STREET FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash and equivalents	\$ 7,115
Due from other funds	0
Due from other governmental units	<u>4,779</u>

TOTAL ASSETS	\$ <u><u>11,894</u></u>
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LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 0
Salaries and wages payable	140
Due to other funds	<u>1,582</u>

TOTAL LIABILITIES	\$ 1,722
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FUND EQUITY

Fund balance - unreserved, undesignated	<u>10,172</u>
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TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>11,894</u></u>
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VILLAGE OF ALPHA
MAJOR STREET FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 Year ended March 31, 2004

	ACTUAL	BUDGET	FAVORABLE/ (UNFAVORABLE) VARIANCE
REVENUES			
State shared revenue	\$ 24,634	\$ 22,200	\$ 2,434
Interest	81	240	(159)
Reimbursements	<u>359</u>	<u>0</u>	<u>359</u>
TOTAL REVENUES	\$ 25,074	\$ 22,440	\$ 2,634
EXPENDITURES			
Salaries and wages	\$ 3,904		
Employee benefits	295		
Road repair and materials	9,723		
Equipment rentals	10,979		
Repairs and maintenance	0		
Contracted services	372		
Insurance	0		
Capital purchases	<u>0</u>		
TOTAL EXPENDITURES	\$ <u>25,273</u>	\$ <u>25,316</u>	\$ <u>43</u>
EXCESS OF REVENUES OVER (UNDER) OVER (UNDER) EXPENDITURES	\$ (199)	\$ <u>(2,876)</u>	\$ <u>2,677</u>
Fund balance - Beginning of period	<u>10,371</u>		
FUND BALANCE - END OF PERIOD	\$ <u><u>10,172</u></u>		

VILLAGE OF ALPHA
LOCAL STREET FUND
BALANCE SHEET
March 31, 2004

ASSETS

Cash and equivalents	\$ 30,308
Due from other funds	0
Due from other governmental units	<u>2,090</u>
TOTAL ASSETS	\$ <u><u>32,398</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 0
Salaries, wages and related taxes payable	103
Due to other funds	<u>7,280</u>
TOTAL LIABILITIES	\$ 7,383

FUND EQUITY

Fund balance - unreserved, undesignated	<u>25,015</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>32,398</u></u>

VILLAGE OF ALPHA
LOCAL STREET FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 Year ended March 31, 2004

REVENUES	ACTUAL	BUDGET	FAVORABLE/ (UNFAVORABLE) VARIANCE
State shared revenue	\$ 10,736	\$ 10,514	\$ 222
Interest income	351	359	(8)
Reimbursements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	\$ 11,087	\$ 10,873	\$ 214
 EXPENDITURES			
Salaries and wages	\$ 1,904		
Employee benefits	144		
Road repair and materials	9,719		
Equipment rentals	4,910		
Contracted services	0		
Insurance and other	<u>372</u>		
TOTAL EXPENDITURES	\$ <u>17,049</u>	\$ <u>18,065</u>	\$ <u>1,016</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (5,962)	\$ (7,192)	\$ 1,230
 OTHER FINANCING SOURCES			
Transfer from other funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ (5,962)	\$ <u>(7,192)</u>	\$ <u>1,230</u>
Fund balance - Beginning of period	<u>30,977</u>		
FUND BALANCE - END OF PERIOD	\$ <u><u>25,015</u></u>		

VILLAGE OF ALPHA
WATER UTILITY FUND
BALANCE SHEET
 March 31, 2004 and 2003

ASSETS	2004	2003
Current Assets:		
Cash and equivalents	\$ 72,894	\$ 62,512
Accounts receivable - trade	6,597	6,465
Due from other funds	<u>0</u>	<u>3,739</u>
TOTAL CURRENT ASSETS	\$ 79,491	\$ 72,716
Restricted Assets:		
Bond interest and redemption	\$ 5,254	\$ 5,202
Repair and replacement	4,868	4,768
Bond reserve	<u>15,179</u>	<u>14,924</u>
TOTAL RESTRICTED ASSETS	\$ 25,301	\$ 24,894
Property, plant and equipment:		
Water system	\$ 943,357	\$ 943,357
Less accumulated depreciation	<u>(393,933)</u>	<u>(371,411)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 549,424	\$ 571,946
TOTAL ASSETS	<u>\$ 654,216</u>	<u>\$ 669,556</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 725	\$ 481
Salaries and wages payable	350	543
Due to other funds	280	1,057
Current portion - long term liabilities	<u>5,000</u>	<u>4,000</u>
TOTAL CURRENT LIABILITIES	\$ 6,355	\$ 6,081
Long term debt - bonds payable	\$ 207,000	\$ 212,000
 FUND EQUITY		
Contributed capital	\$ 399,356	\$ 415,735
Retained earnings:		
Reserved	25,301	24,894
Unrestricted, undesignated	<u>16,204</u>	<u>10,846</u>
TOTAL FUND EQUITY	\$ 440,861	\$ 451,475
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 654,216</u>	<u>\$ 669,556</u>

VILLAGE OF ALPHA
WATER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ACTUAL AND BUDGET

Year ended March 31, 2004 and 2003

	2004 ACTUAL	BUDGET	FAVORABLE/ (UNFAVORABLE) VARIANCE	2003 ACTUAL
OPERATING REVENUES				
User charges	\$ 39,840	\$ 39,026	\$ 814	\$ 36,856
Other	<u>816</u>	<u>1,697</u>	<u>(881)</u>	<u>1,492</u>
TOTAL OPERATING REVENUES	\$ 40,656	\$ 40,723	\$ (67)	\$ 38,348
OPERATING EXPENSES				
Salaries and wages	\$ 7,872			\$ 6,853
Employee benefits	617			490
Supplies and other	1,039			1,093
Contracted services	2,883			1,378
Utilities	4,679			3,385
Repairs and maintenance	248			0
Insurance	0			1,000
Depreciation	<u>6,142</u>			<u>6,142</u>
TOTAL OPERATING EXPENSES	\$ 23,480	\$ 18,806	\$ (4,674)	\$ 20,341
OPERATING INCOME (LOSS)	\$ 17,176	\$ 21,917	\$ (4,741)	\$ 18,007
NON-OPERATING INCOME/LOSSES				
Interest income	\$ 1,279	\$ 1,279	\$ 0	\$ 1,973
Interest expense	<u>(12,690)</u>	<u>(16,690)</u>	<u>4,000</u>	<u>(12,925)</u>
TOTAL NON-OPERATING INCOME/(LOSS)	\$ (11,411)	\$ (15,411)	\$ 4,000	\$ (10,952)
NET INCOME/(LOSS)	\$ 5,765	\$ 6,506	\$ (741)	\$ 7,055
Retained earnings (deficit) - Beginning of period	<u>35,740</u>			<u>28,685</u>
RETAINED EARNINGS (DEFICIT)-END OF PERIOD	<u>41,505</u>			<u>35,740</u>

VILLAGE OF ALPHA
WATER UTILITY FUND
STATEMENT OF CASH FLOWS
Year ended March 31, 2004 and 2003

	2004	2003
OPERATING ACTIVITIES		
Operating income (loss)	\$ 17,176	\$ 18,007
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,142	6,142
Change in assets and liabilities:		
(Increase) decrease in taxes receivable	0	2,122
(Increase) decrease in accounts receivable	(131)	(1,472)
(Increase) decrease in due from other funds	3,739	3,494
Increase (decrease) in accounts payable	244	137
Increase (decrease) in salaries and wages payable	(193)	442
Increase (decrease) in due to other funds	(777)	705
Increase (decrease) in current portion of long term debt	1,000	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,200	\$ 29,577
CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond principal redemptions	\$ (5,000)	\$ (4,000)
Bond interest paid	(12,690)	(12,925)
Transfer from/(to) restricted accounts	(407)	(692)
TOTAL CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (18,097)	\$ (17,617)
INVESTING ACTIVITIES - Interest earned	\$ 1,279	\$ 1,973
NET INCREASE IN CASH AND EQUIVALENTS	\$ 10,382	\$ 13,933
Cash and equivalents - Beginning of period	62,512	48,579
CASH AND EQUIVALENTS - END OF PERIOD	\$ 72,894	\$ 62,512

VILLAGE OF ALPHA
SEWER UTILITY FUND
BALANCE SHEET
March 31, 2004

ASSETS

Current Assets:

Cash and equivalents	\$ 34,278
Accounts receivable - trade	0
Due from other funds	<u>120</u>

TOTAL CURRENT ASSETS \$ 34,398

Property, Plant and Equipment:

Sewage plant, lines and vehicles	\$ 41,225
Less accumulated depreciation	<u>(40,194)</u>

TOTAL PROPERTY, PLANT AND EQUIPMENT \$ 1,031

TOTAL ASSETS \$ 35,429

LIABILITIES AND FUND EQUITY

LIABILITIES

Current Liabilities:

Accounts payable	\$ 56
Due to other funds	763
Salaries and wages payable	<u>292</u>

TOTAL LIABILITIES \$ 1,111

FUND EQUITY

Retained earnings - Unrestricted, undesignated	\$ <u>34,318</u>
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TOTAL LIABILITIES AND FUND EQUITY \$ 35,429

VILLAGE OF ALPHA
SEWER UTILITY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 ACTUAL AND BUDGET
 Year ended March 31, 2004

	ACTUAL	BUDGET	FAVORABLE/ (UNFAVORABLE) VARIANCE
OPERATING REVENUES			
User charges	\$ 15,720	\$ 14,760	\$ 960
Other	0	0	0
TOTAL OPERATING REVENUES	\$ 15,720	\$ 14,760	\$ 960
OPERATING EXPENSES			
Salaries and wages	\$ 5,272		
Employee benefits	399		
Supplies and other	744		
Contracted services	945		
Utilities	1,345		
Repairs and maintenance	1,369		
Insurance	0		
Depreciation	31		
TOTAL OPERATING EXPENSES	\$ 10,105	\$ 10,396	\$ 291
OPERATING INCOME	\$ 5,615	\$ 4,364	\$ 1,251
NON-OPERATING INCOME - Interest	350	750	(400)
NET INCOME	\$ 5,965	\$ 5,114	\$ 851
Retained earnings - Beginning of period	28,353		
RETAINED EARNINGS - END OF PERIOD	\$ 34,318		

VILLAGE OF ALPHA
SEWER UTILITY FUND
STATEMENT OF CASH FLOWS
Year ended March 31, 2004

OPERATING ACTIVITIES

Operating income (loss)	\$ 5,615
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	31
Change in assets and liabilities:	
(Increase) decrease in due from other funds	4,148
Increase (decrease) in accounts payable	(165)
Increase (decrease) in due to other funds	763
Increase (decrease) in salaries and wages payable	<u>52</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 10,444

INVESTING ACTIVITIES

Interest earned	\$ <u>350</u>
TOTAL CASH PROVIDED BY INVESTING ACTIVITIES	\$ <u>350</u>
NET CASH PROVIDED	\$ 10,794
Cash and equivalents - Beginning of period	<u>23,484</u>
CASH AND EQUIVALENTS - END OF PERIOD	<u><u>34,278</u></u>

OTHER
FINANCIAL
INFORMATION

SCOTT R. KENNEY

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

The Honorable Board of Trustees
Village of Alpha
Alpha, MI 49902

I have audited the financial statements of the Village of Alpha (Village) as of and for the year ended March 31, 2004, and have issued my report thereon dated May 27, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Village's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Village's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be a material weakness. However, I noted other matters involving the internal control over financial reporting that I have reported to the Board of Trustees in a separate letter dated May 27, 2004.

This report is intended for the information and use of the management, others within the organization, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

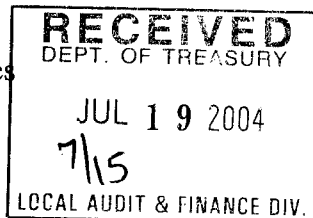
May 27, 2004

SCOTT R. KENNEY

Certified Public Accountant

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The Honorable President and Board of Trustees
Village of Alpha
Alpha, Michigan 49902



In conjunction with the audit of the financial statements of the Village of Alpha, Michigan (Village) as of and for the year ended March 31, 2004, I have reviewed the Village's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Village's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Village's Board and management and should not be presented or quoted to anyone outside of the Village because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. The first comment was a repeat comment from the last audit report.

1. **OBSERVATION** - The Village has not maintained a General Fixed Asset Account Group as required by generally accepted accounting principles.

RECOMMENDATION - The Governmental Accounting Standards Board (GASB) recently approved Statement Number 34. This pronouncement substantially changes the future reporting requirements for municipalities. While the provisions of GASB Statement 34 do not take effect until a future period, planning for this new pronouncement can make a much easier transition.

2. **OBSERVATION** - The prior year audit adjusting entries were not posted to the financial records.

RECOMMENDATION - The audit adjusting entries should be posted after approval by management. These postings are necessary to accurately report the financial activity and financial position of the Village on interim reports to the Board.

3. **OBSERVATION** - One of the vendors that was tested was paid from the statement and not the invoices.

RECOMMENDATION - All vendors should be paid from the invoices presented and the statements should only be used to reconcile the invoices, payments and credits for each vendor that the Village conducts business with.

4. **OBSERVATION** - The amount Due From a Fund as shown in one fund did not always equal the amount Due To a Fund in the corresponding fund.

RECOMMENDATION - The Due From amounts indicated in each fund should be reconciled with the Due To amounts in each corresponding fund on at least a monthly basis.

I would like to thank the Village Board for allowing me to conduct the audit of the records and especially thank Jessica Davis and Tom McCarthy for their assistance during the audit.

If the Village would like my assistance in implementing any of the above recommendations, I am willing to assist you in any way that I can.


Certified Public Accountant

May 27, 2004